CHAPTER 10

POVERTY ALLEVIATION AND INTERNATIONAL TRADE

Learning Objectives

- Explain the meaning of poverty alleviation;
- Formulate recommendations and strategies on how the government can alleviate poverty;
- Analyze the various ways of poverty alleviation through sustainable development;
- Discuss international trade and compare import, export and tarrifs; and
- Understand the socio-economic impact of business on poverty alleviation and international trade

Poverty Alleviation

(Poverty Reduction)

- Poverty alleviation is a way to improve the quality of life of those people currently living in poverty.

In creating and using new and inexpensive mobile technologies…

- there is potential for increased economic growth in developing countries

- there are positive changes impacting those living in the worst conditions

United Nations Development Programme

- states that simple economic growth won't reduce or alleviate poverty, improve quality, or produce joy, unless said growth is inclusive of all individuals in the economy (Bradley 2016)

Ways of Poverty Alleviation through Sustainable Development

According to Rosenberg (2003), the following are ways poverty can be alleviated through sustainable development:

1. Alleviating poverty through environmental protection

•The poorer we are, the harder environmental issues hit us.

•Desperate for employment, poor people

–suffer the unhealthiest work environments

–more exposed to disasters, toxic dumps, and polluted air and water

–less able to make a living

–often depend directly on natural resources

2. Strengthening livelihood strategies and increasing options

•Few livelihood options –feel forced to exhaust even the few resources to which they do have access

•Caring for natural resources –an important way of increasing people's livelihood options

•Care –protection and restoration

•Protect and increase soil fertility, remove alien invasive plants, and re-establish indigenous vegetation thus help people make a living off the land.

3. Providing Basic Incomes.

•Income –helps improve quality of life

•Social grants supplement the trickling down of wealth through economic growth.

•Basic income grant

–recommended in order to alleviate hardship

–relieve the over-harvesting of natural resources in some area

4. Improving basic services.

•Providing basic services is a huge task.

•Government seeks to hand over the responsibility through various forms of privatization.

•Privatization has pushed up costs of services.

•Become an innovative world leader in sustainable development, to create new job opportunities

5. Creating Meaningful Jobs

•Economic growth meant more jobs –when growth was built on mining and other labor-intensive industries

•Economic growth –generated by industries either because they are mechanized or because they require small numbers of highly skilled people to run them

6. Economic Reforms

Creating jobs by investing in industry –a capital-intensive process and industrial jobs grow at a slow rate.

•Efforts to alleviate poverty won't be successful without a complete overhaul of the economic systems.

•Outdated economic models –lead to the redundancy of people

•Campaigns to alleviate poverty call for international assistance.

•The track record of donor suggests that it may benefit governments more than it benefits the poor.

•Facilitate fair trade to foster a more equal relationship between nations.

•Scrapping the trade barriers have erected against import from poorer countries.

7. Alleviating Affluence

•Poor people need to consume more environmental resources.

•When we multiply the number of poor, we find that a mere 20% of the population –the wealthy.

•The wealthy –responsible for the bulk of the world's consumption and population

•Global environmental resources –finite and unequally divided

•The over-consumption of the affluent must be reduced for the low consumers.

8. Acknowledging Rights

•Poverty –lack of power

•Poverty alleviation should address situations in which some people have few opportunities to exercise their rights.

•Recognize the basic rights of the poor to common resources.

•Historical inequalities remain largely untouched by current economic policy.

•Unemployment figures are higher among women.

•Women-headed households are more likely to suffer from poverty.

9. Education & Capacity-building

•Education and training must help the unemployed, underemployed, and the youth at risk to move from being redundant in one kind of economy.

•Capacity-building for government departments must deliver on poverty reduction and development.

•K-12 education system in the Philippines

–strengthens the basic education system

–helps alleviate poverty through education

SOCIO-ECONOMIC IMPACT OF BUSINESS IN POVERTY ALLEVIATION

•Studies show that small businesses make important impacts on livelihood and serve as an eye-opener for those who view small business as merely a survival strategy. Small businesses have helped improve the standard of living.

•According to Akinwale et al (2017), within the developed and developing countries of the world, it is now generally accepted by policy makers at local, regional, and national levels that small to medium-sized enterprises are becoming increasingly important in terms of

International Trade

•International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy in which prices, or supply and demand affect and are affected by global events. Trading globally gives consumer and countries opportunities to be exposed to goods and services not available in their own countries.

•Almost every kind of product can be found in the international market: foods, clothes, spare parts, oil, jewelry, wines, stocks, currencies, and water. Services area also trades tourism, banking, consulting, and transportation (Heakal, 2015).

•Global trade allows wealthy countries to use their resource, whether labor, technology, or capital, more efficiently. If a country cannot efficiently produce an item, it can obtain the item by trading with another country. International trade arises from voluntarily exchange among buyers and sellers pursuing their self-interests (McEachern, 2000).

•World trades offer many advantages to the trading countries: the chance to take advantage of economies of scale, the opportunity to utilize abundant

Import and Export

Import is the purchase of foreign –manufactured goods in the buyer's domestic market.

Export, on the other hand, is the sales of goods to a foreign country.

Exporting and importing helps grow national economies and expand the global market.

IMPACT OF EXPORT AND IMPORT OF GOODS AND SERVICES ON THE ECONOMY

- Imports are important for businesses and individual consumers.
- There are other countries who need to import goods since there are circumstances that the goods needed are not readily available domestically or are available cheaper overseas and provide more choices to the consumers.
- Countries want to be net exporters (a country that exports more than it imports) rather than net importers (a country that imports more than it exports).

Advantage of Net Exporters:

–more domestic economic activity occurs then, more production, jobs, and revenues

–the country's Gross Domestic Product (GDP) increases

–increases the wealth of a country (Grimsley, 2016)

TARRIFS

•These are taxes imposed on imported goods and services.

•The world price is the process determined by the world supply and demand for a product.

•The price at which any supplier can sell output on the world market and at which any demander can purchase the output on the world market (McEachern, 2000).

Importance

1.) To protect domestic Jobs

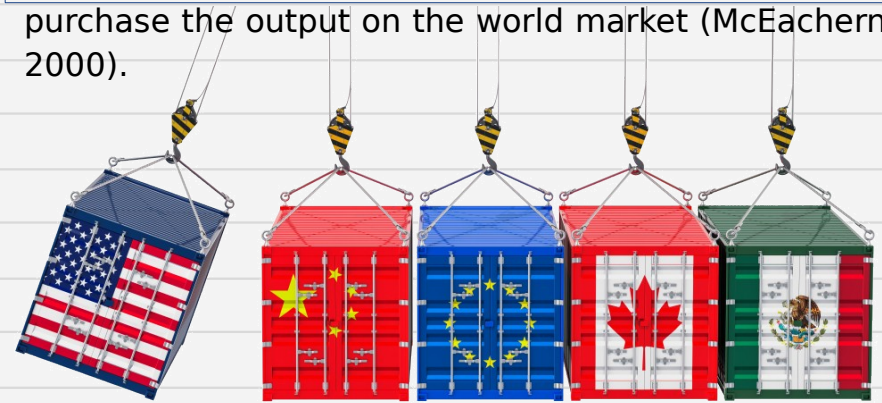
If consumers buy less-expensive foreign goods, workers who produce that good domestically might lose their jobs.

2.) To protect infant industries

If a country wants to develop its own industry producing a particular good, it will use tariffs to make it more expensive for consumers to purchase the foreign version of the good.

3.) To retaliate against a trading partner

If one country does not play by the trade rules both countries previously agreed on, the country that feels jilted might impose tariffs on its partner's goods as a punishment. The higher price caused by the tariff should cause purchases to fall.



4.) To protect consumers

If a government thinks a foreign good might be harmful it might implement a tariff to discourage consumers from buying it.

TARRIFS & TRADING AGREEMENT

Davis (1997) states that for the past 50 years, tariffs have been moving downward on a worldwide scale.

1.) European Economic Community (EEC)

–The EEC or Common Market grew out of the Treaty of Rome In 1957. The goal was to lower the trade and other barriers among the members while establishing common tariffs against non-members.

2.) Council for Mutual Economic Assistance (COMECON)

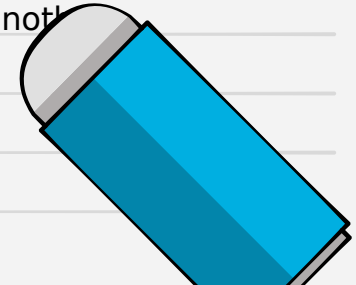
–was founded in 1949 by ten communist countries. COMECON was disbanded in 1991, when independence came to Eastern Europe and Soviet republics, and replace by the Organization for the International Economics

3.) North America Free Trade Agreement (NAFTA)

–Individual nations have been negotiating expanded economic integration. Both Democratic and Republican presidents have shown their commitment to an expansion of a free-trade zone for American import and export.

4.) Multinational Firms

–are those headquarters with one nation and a significant presence in anot



SOCIO-ECONOMIC IMPACT OF INTERNATIONAL TRADE

•Group of economists who oppose the International Trade

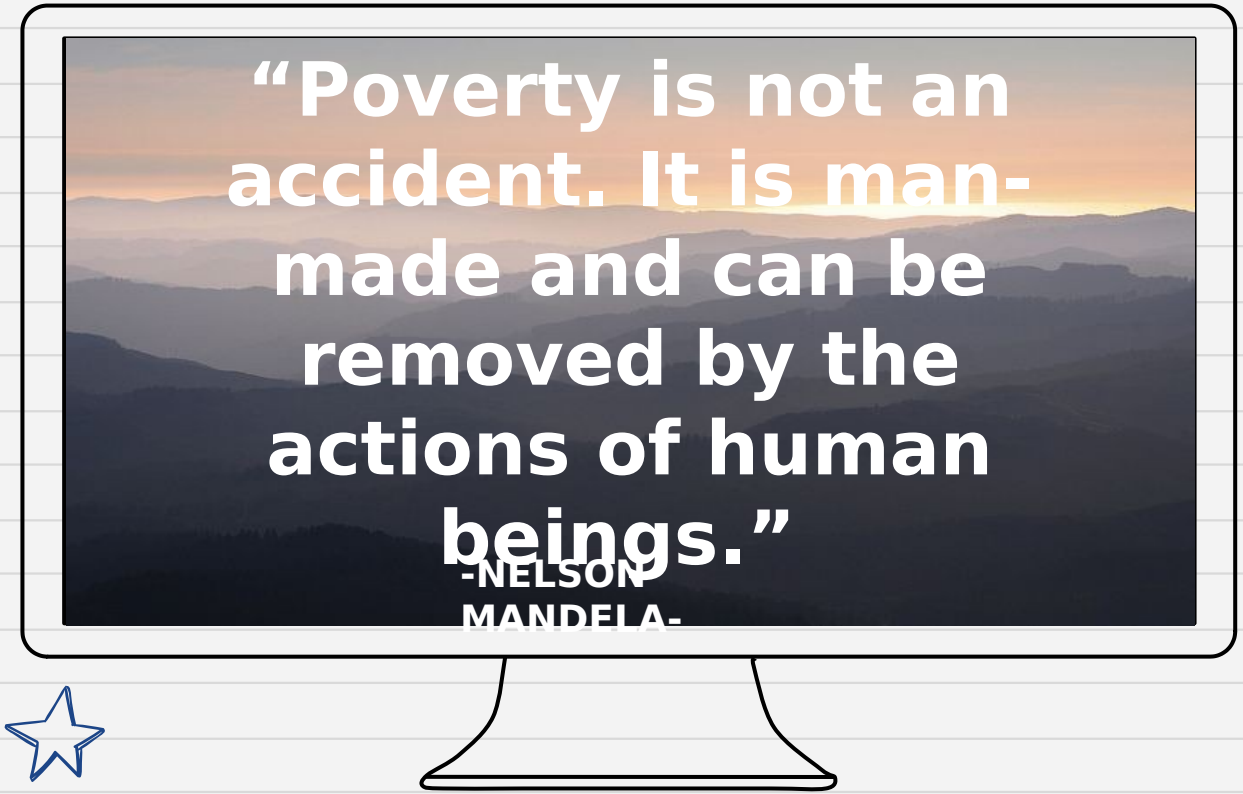
–They stated that the international trade brought about unfavorable changes in the economic and financial scenarios of the developing countries.

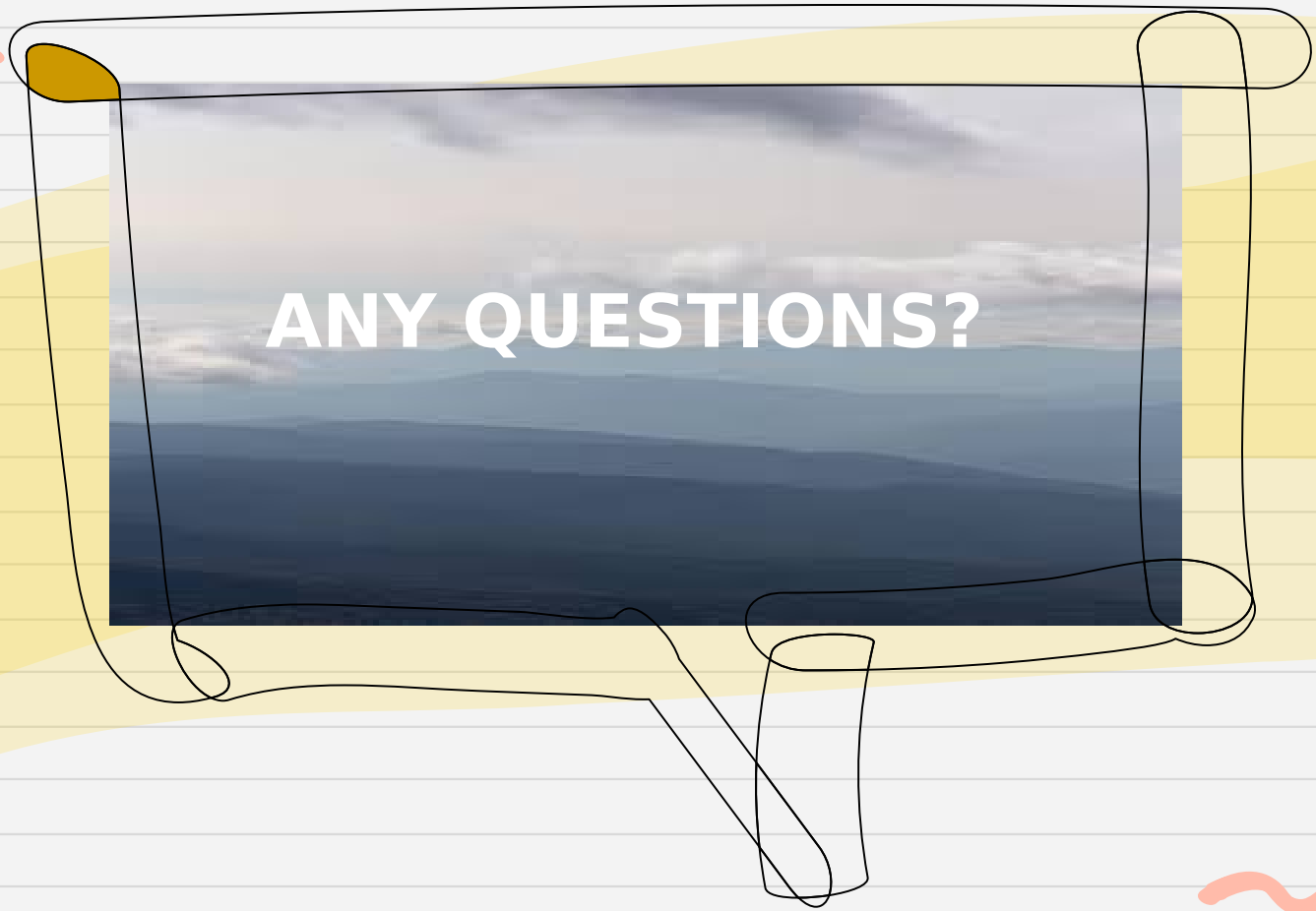
–Liberalization of trade policies, reduction of tariffs and globalization have adversely affected the industrial setups of the less-developed and developing economics which resulted to majority of the infant industries in these have closed their operations and found it very difficult to compete with their global counterparts.

•Groups of economists who are in favor of International Trade

–According to them, developing countries, which have followed trade liberalization policies, have experienced all the favorable effects of globalization and international trade.

–China and India are regarded as the trend-setters in this case


“Poverty is not an accident. It is man-made and can be removed by the actions of human beings.”
-NELSON MANDELA-


ANY QUESTIONS?

Thank You

and

God Bless!